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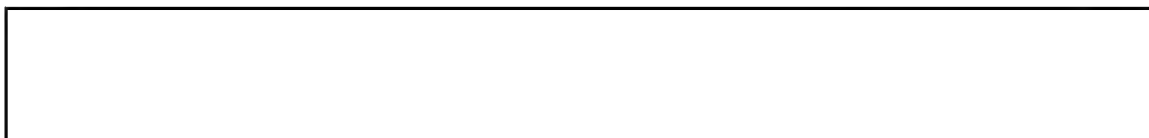
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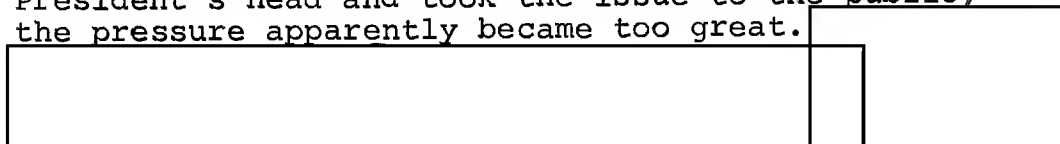
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[Bolivia: The Ovando government announced the "total nationalization" of the US-owned Bolivian Gulf Oil Company last night.

The company's local manager was placed under house arrest and its installations occupied by army troops earlier in the day. This drastic action followed a statement issued by Minister of Mines Marcelo Quiroga charging Gulf and the World Bank with "political and economic blackmail." According to the La Paz press, Quiroga received a cable from the Bank saying that any change in Gulf's contract without prior approval from the Bank would be grounds for cancellation of the Bank's loan contract with Bolivia.

The leftist and ultranationalistic Quiroga's statement showed him to be particularly incensed with the government's indecision on how to handle Gulf. Earlier this week, the cabinet had reportedly split evenly on a vote on expropriating the company and postponed a second meeting on the same subject. Quiroga was quoted as saying, "The government must decide between proving its nationalist essence or being forced to retreat."

Demands for the expropriation of the company have been increasing from both the ultranationalistic members of the cabinet and student and labor groups throughout the country. President Ovando had stated that he thought that expropriating the company would be "unnecessary," but when Quiroga went over the President's head and took the issue to the public, the pressure apparently became too great.



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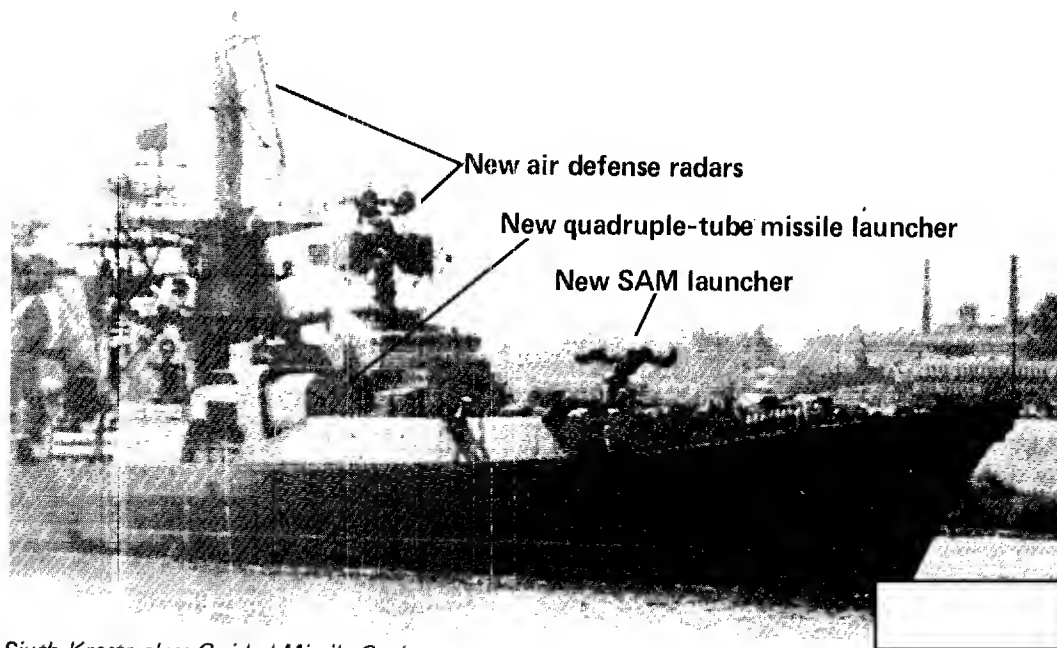
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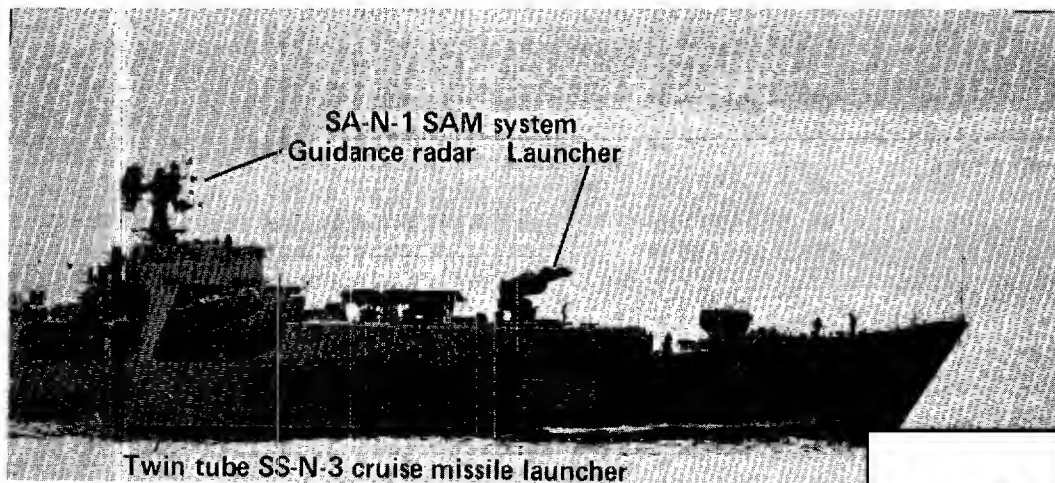
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New Missile Systems Seen on *Kresta*-class Cruiser



Sixth Kresta-class Guided Missile Cruiser

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First unit launched

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USSR: The Soviets are improving the missile capabilities of their Kresta-class guided missile cruisers.

25X1 [redacted] photography of the sixth unit of this class [redacted] shows that it has two quadruple launchers for a new type of surface-to-surface or antisubmarine missile. The two twin SS-N-3 cruise missile launchers and the associated guidance radar carried on the earlier ships of this class have been removed.

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The modified Kresta also carries the new air defense equipment found on the Moskva-class guided-missile helicopter cruisers. This includes two twin launchers for a new surface-to-air missile, a large air search radar that is capable of providing target data in range, altitude, and azimuth, [redacted]

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Communist China: Peking has issued its first comprehensive statement on the economy in three years.

The statement was published in the October issue of the theoretical journal Red Flag and broadcast on 13 October. While containing many Maoist formulations, it essentially reaffirms a moderate approach to economic policy. The "primary role" of heavy industry is restated, but agriculture and light industry also are to be developed, drawing on native technology. There is nothing in the article to suggest that the priority given to the development of modern weapons by the regime in recent years will be changed.

The article is essentially pragmatic in tone. For example, there is no condemnation either of private plots or of the other material incentives that conservative party bureaucrats are alleged to have pushed in past years. In addition to endorsing the long-standing policy of building new industries in the interior, the article also touts the 1969 small-plant construction program as a means of developing relatively independent industrial systems in local areas.

The very fact that a comprehensive article of this nature has been published at all suggests that regime leaders believe the internal situation has calmed down sufficiently to allow Peking to address itself to economic problems, including systematic economic planning. Nevertheless, the ambiguity in the article suggests that a number of issues, including the crucial one of the precise mix between light and heavy industry, may still not be fully resolved.

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Western Europe: A serious debate may be shaping up in the European Communities over how to protect German farmers from the consequences of the forthcoming revaluation.

The Germans are likely to press the EC to prolong for as much as two years the temporary import levies that were authorized when the mark was allowed to float. The EC Commission believes, however, that isolating both the French and German farmers for so long a time would seriously damage the Common Agricultural Policy (CAP).

The Commission may, therefore, advocate a system of direct income support to German farmers. This would be less vulnerable to monetary disturbances and might even be considered for future application on a wider scale under the CAP.

The German Farmers Union has sharply rejected such a scheme, and its position is likely to provide an early test of the new Bonn coalition's approach to European agricultural problems. Less dependent on farmer support than the Christian Democrats, the new coalition parties are inclined toward a more flexible farm policy. However, their very narrow Bundestag majority will act as a strong deterrent to proposals certain to estrange farm interests.

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Libya: The Revolutionary Command Council's attempts to generate popular support may be creating a new threat to Wheelus Air Base.

At a rally in Tripoli on 16 October, junta leader Qaddafi called for the evacuation of US and UK military bases. This was apparently an attempt to capitalize on what the council hopes will be a popular emotional issue. Although Qaddafi's declaration on Wheelus represents a disturbing departure from official statements and indicates a greater sense of urgency, he avoided setting any specific time limits. He may, therefore, have only been resorting to a time-proven method of generating public support in the Middle East--attacking foreign bases--without really intending to press for an early evacuation.

The popular reaction in Libya in the days to come, however, may be such that the council will have to alter its previously announced intention to allow the US to remain at Wheelus until the expiration of the base agreement.

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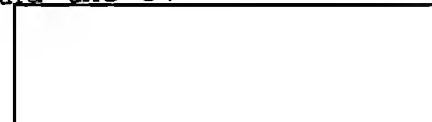
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India: Two significant encounters are shaping up in the power struggle between Prime Minister Gandhi and her opponents in the Congress Party.

In an effort to consolidate her dominance over the party, Mrs. Gandhi is moving to unseat party president Nijalingappa, an old-guard conservative. According to the US Embassy in New Delhi, Mrs. Gandhi is planning to gather supporters for a petition that would force the party to hold its presidential election this December, a year earlier than now scheduled. This move will push Congress members into a "with me or against me" decision regarding Mrs. Gandhi.

Old-guard leaders are attempting to undercut the prime minister by focusing parliamentary attention on the policy "blunders" of one of her key advisers, leftist Foreign Minister Singh. Because Singh is already disliked by many Congress members, the old-guard leaders hope this maneuver will split Mrs. Gandhi's Congress supporters in parliament. When parliament reconvenes on 17 November, the old-guard leaders would like to deal Mrs. Gandhi a sharp rebute. They hope to achieve this by pushing through a motion of no confidence in Singh's handling of foreign affairs, which could topple the controversial minister from office.

For the moment, Mrs. Gandhi is pushing the attack. At least one of her major supporters is said to be hedging his bets, however, and the eventual outcome is far from being settled.



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NOTES

Poland - West Germany: Polish Foreign Minister Jedrychowski, in a West German television interview on 16 October, restated Warsaw's willingness to negotiate all outstanding bilateral issues. Jedrychowski's statement that normalization of relations between the two countries will be the result of a "process" of negotiation implies Polish flexibility and hope that Bonn "will reconcile itself to the present political map of Europe." Jedrychowski's statements as well as the start last week of bilateral economic talks in Bonn are meant to underscore Warsaw's hope for further progress after the formation of a new West German Government.

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UK: Britain is actively considering returning the UK Sixth Mobile Brigade to West Germany, according to British General Walker. The brigade would help fill the gap created when Canada completes its planned withdrawal of approximately half of its NATO forces from Germany. Walker stated that Defense Minister Healey definitely plans to return the brigade, although he expects opposition from some government officials and the cabinet. The cabinet might balk unless London is able to work out an acceptable financing plan with Bonn to offset foreign exchange costs.

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